

# Earnie

Guide to creating Friends Life pension deductions

25/08/2015



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## Introduction

This guide will give you an overview of how to configure your Friends Life pension deductions depending in the payroll. Creating the output file is covered in a separate guide, see the Pension Guide for more information.

The guide covers:

- Creating an employee pension deduction
- Creating an employer pension deduction

Friends Life permit employers to calculate the pension deduction based on a percentage of Qualifying Earnings or Certified Earnings; for more information contact Friends Life.

The tax basis of the pension deduction can be via Salary Exchange (also known as Salary Sacrifice) or Employee Net Contributions; for more information contact Friends Life.

For instructions on how to setup the employee and employer pension deduction, select your pension scheme option from the list:

- [Salary Exchange \(Salary Sacrifice\) pension - based on Qualifying Earnings](#)
- [Employee net contribution - based on Qualifying Earnings](#)
- [Salary Exchange \(Salary Sacrifice\) pension - based on Certified Earnings](#)
- [Employee net contribution - based on Certified Earnings](#)

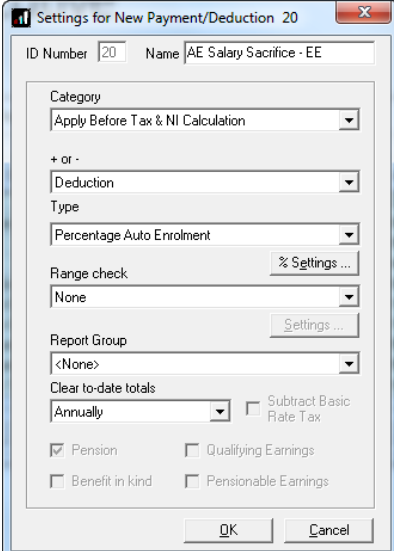
## Salary Exchange (Salary Sacrifice) pension - based on Qualifying Earnings

A Salary Exchange pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

A Qualifying Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

### Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. On the message asking if you want to use the wizard, click '**No**'
4. Enter a **Name** for the pension deduction
5. In the **Category** field, select '**Apply Before Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. **Range check** should be the default of '**None**'
9. **Report Group** should be the default of '<None>'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals
11. Click '**OK**'



The screenshot shows a dialog box titled "Settings for New Payment/Deduction 20". The fields are as follows:

- ID Number: 20
- Name: AE Salary Sacrifice - EE
- Category: Apply Before Tax & NI Calculation
- + or -: Deduction
- Type: Percentage Auto Enrolment
- Range check: None
- Report Group: <None>
- Clear to-date totals: Annually
- Subtract Basic Rate Tax:
- Pension:
- Qualifying Earnings:
- Benefit in kind:
- Pensionable Earnings:

### Add employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard

4. Enter a **Name** for the pension deduction
5. In the **Category** field select '**Display Item Only**'  
This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select '**Display Item Only - Hidden from Payslip**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. **Range check** should be the default of '**None**'
9. **Report Group** should be the default of '<None>'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
11. Click '**OK**'

### Enter default percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage

| No | Description           | Standard | Weekly Lower | Weekly Upper | Account |
|----|-----------------------|----------|--------------|--------------|---------|
| 22 | AE Net - EE           | 1.00 %   |              |              |         |
| 23 | AE Net - ER           | 1.00 %   |              |              |         |
| 24 | AE Gross - EE         | 1.00 %   |              |              |         |
| 25 | AE Gross - ER         | 1.00 %   |              |              |         |
| 26 | Salary Sacrifice - EE | 1.00 %   |              |              |         |
| 27 | Salary Sacrifice - ER | 1.00 %   |              |              |         |
| 28 | Net - EE              | 1.00 %   |              |              |         |
| 29 | Net - ER              | 1.00 %   |              |              |         |
| 30 | Gross - EE            | 1.00 %   |              |              |         |
| 31 | Gross - ER            | 1.00 %   |              |              |         |

### Configure pension deduction pay elements:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment  
  
The employees' pension contribution will also be calculated on these pay elements
3. Click '**OK**'

| Payment                 | Qualifying Earnings                 | Pensionable Earnings                |
|-------------------------|-------------------------------------|-------------------------------------|
| Salary                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Statutory Maternity Pay | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Statutory Paternity Pay | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Shared Parental Pay     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Statutory Adoption Pay  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Statutory Sick Pay      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Holiday Pay             | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

## Employee net contribution - based on Qualifying Earnings

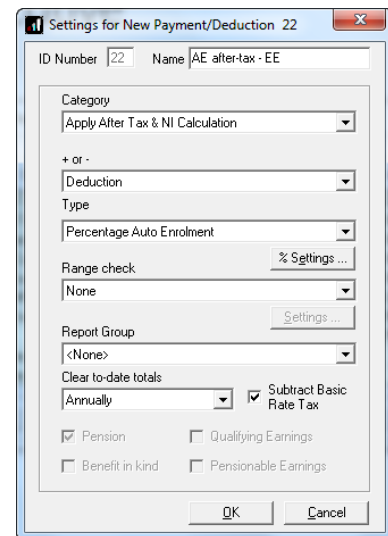
An Employee net contribution pension Deduction is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's pension contribution standard value but the actual deduction will be 0.8% from their pay.

A Qualifying Earnings pension deduction is calculated as a percentage of the employee's Qualifying Earnings between the lower limit and upper limit. For tax year 2015/16, the lower limit is £5,824 and the upper limit is £42,385.

### Add employee pension deduction:

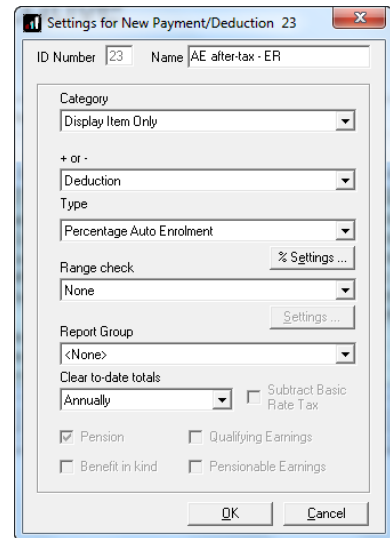
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter a **Name** for the pension deduction
5. In the **Category** field select '**Apply After Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage Auto Enrolment**'
8. **Range check** should be the default of '**None**'
9. **Report Group** should be the default of '<None>'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
11. Tick '**Subtract Basic Rate Tax**' box
12. Click '**OK**'



### Add employer pension deduction:

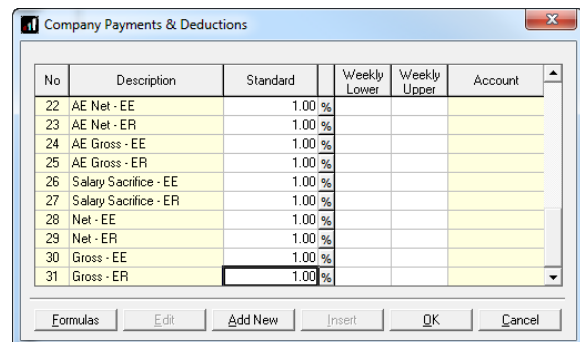
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard

4. Enter a **Name** for the pension deduction
5. In the **Category** field select **'Display Item Only'**  
 This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only - Hidden from Payslip'**
6. In the **+ or -** field, select **'Deduction'**
7. In the **Type** field, select **'Percentage Auto Enrolment'**
8. **Range check** should be the default of **'None'**
9. **Report Group** should be the default of **'<None>'**
10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
11. Click **'OK'**



Enter percentage for the employee and employer pension deduction:

1. Go to the **Company** menu and select **'Alter Payments / Deductions'**
2. Next to the employee pension deduction, click in the **'Standard'** field and enter the default percentage
3. Next to the employer pension deduction, click in the **'Standard'** field and enter the default percentage



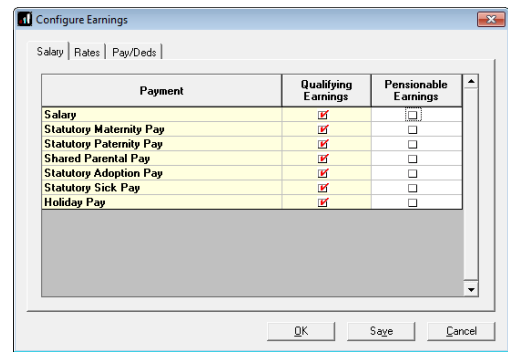
| No | Description           | Standard | Weekly Lower | Weekly Upper | Account |
|----|-----------------------|----------|--------------|--------------|---------|
| 22 | AE Net - EE           | 1.00 %   |              |              |         |
| 23 | AE Net - ER           | 1.00 %   |              |              |         |
| 24 | AE Gross - EE         | 1.00 %   |              |              |         |
| 25 | AE Gross - ER         | 1.00 %   |              |              |         |
| 26 | Salary Sacrifice - EE | 1.00 %   |              |              |         |
| 27 | Salary Sacrifice - ER | 1.00 %   |              |              |         |
| 28 | Net - EE              | 1.00 %   |              |              |         |
| 29 | Net - ER              | 1.00 %   |              |              |         |
| 30 | Gross - EE            | 1.00 %   |              |              |         |
| 31 | Gross - ER            | 1.00 %   |              |              |         |

### Configure pension deduction pay elements:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment

The employees' pension contribution will also be calculated on these pay elements

3. Click '**OK**'





## Salary Exchange (Salary Sacrifice) pension - based on Certified Earnings

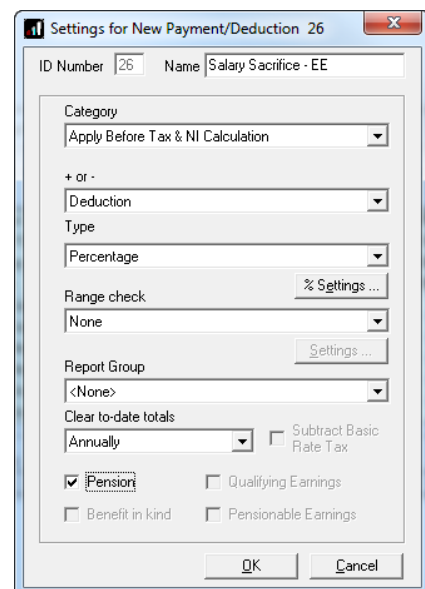
A Salary Exchange pension deduction is deducted from the employee's pay before Tax and NI is calculated, which means the employee is due to pay less Tax and NI.

Certified Earnings is calculated as a percentage of the tiered earnings you specified when setting up the Friends Life scheme by choosing one of the following options:

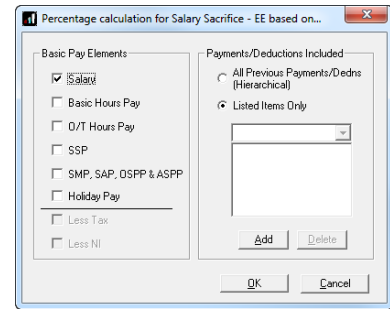
- **Tier 1 (set 1)** – must be at least equal to the employee's basic pay, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime, bonuses, commission or shift premium pay.
- **Tier 2 (set 2)** – must be at least 85% of the employee's Total Earnings. This includes any additional pay elements, such as overtime or bonuses.
- **Tier 3 (set 3)** – all of the employee's earnings are pensionable. This includes any additional pay elements, such as overtime or bonuses

### Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Apply Before Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '**<None>**'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals



11. Tick the **'Pension'** box
12. Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
13. Click **'OK'** on the **Percentage calculation** screen
14. Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction



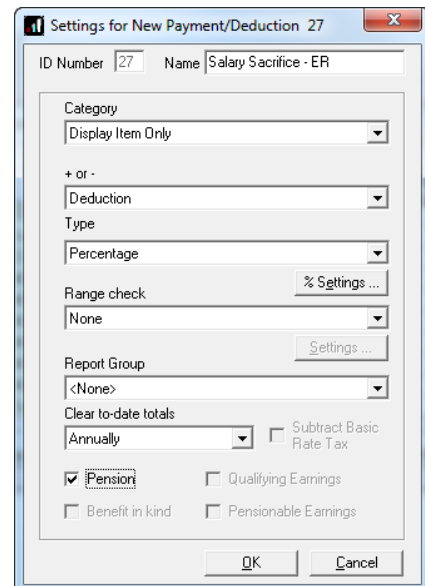
### Add employer pension deduction:

1. Go to the **Company** menu and select **'Alter Payments / Deductions'**
2. Click on **'Add New'**
3. Click **'No'** to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction

5. In the **Category** field select **'Display Item Only'**

This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only - Hidden from Payslip'**

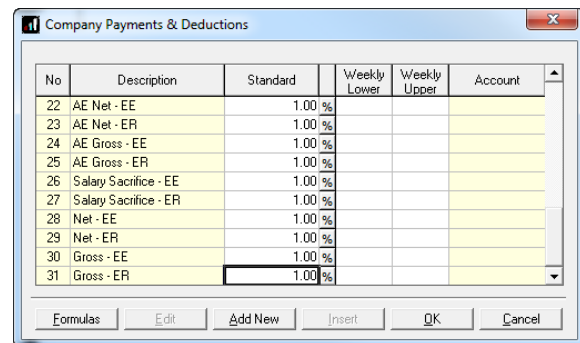
6. In the **+ or -** field, select **'Deduction'**
7. In the **Type** field, select **'Percentage'**
8. In the **Range check** field, leave the default as **'None'**
9. In the **Report Group** field, leave the default as **'<None>'**



10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
11. Tick the **'Pension'** box
12. Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
13. Click **'OK'** on the **Percentage calculation** screen
14. Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employer pension deduction

Enter default percentage for the employee and employer pension deduction:

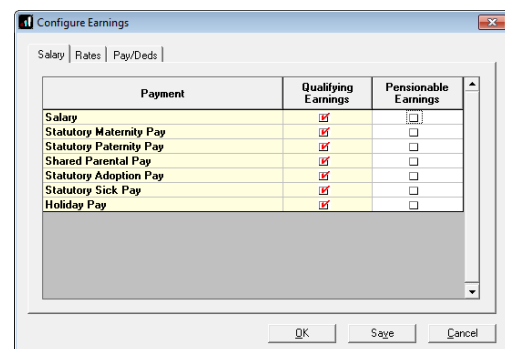
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



| No | Description           | Standard | Weekly Lower | Weekly Upper | Account |
|----|-----------------------|----------|--------------|--------------|---------|
| 22 | AE Net - EE           | 1.00 %   |              |              |         |
| 23 | AE Net - ER           | 1.00 %   |              |              |         |
| 24 | AE Gross - EE         | 1.00 %   |              |              |         |
| 25 | AE Gross - ER         | 1.00 %   |              |              |         |
| 26 | Salary Sacrifice - EE | 1.00 %   |              |              |         |
| 27 | Salary Sacrifice - ER | 1.00 %   |              |              |         |
| 28 | Net - EE              | 1.00 %   |              |              |         |
| 29 | Net - ER              | 1.00 %   |              |              |         |
| 30 | Gross - EE            | 1.00 %   |              |              |         |
| 31 | Gross - ER            | 1.00 %   |              |              |         |

Configure Qualifying Earnings:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
3. Click '**OK**'



| Payment                 | Qualifying Earnings                 | Pensionable Earnings     |
|-------------------------|-------------------------------------|--------------------------|
| Salary                  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Statutory Maternity Pay | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Statutory Paternity Pay | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Shared Parental Pay     | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Statutory Adoption Pay  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Statutory Sick Pay      | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Holiday Pay             | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

## Employee net contribution - based on Certified Earnings

An Employee net contribution is deducted from the employee's pay after Tax and NI is calculated, then the employee receives basic rate tax relief on that pension deduction; for tax year 2014/15 the rate is 20%. Higher rate tax payers need to claim the remaining tax relief from HMRC. This method of deducting pension contributions HMRC call relief at source (RAS).

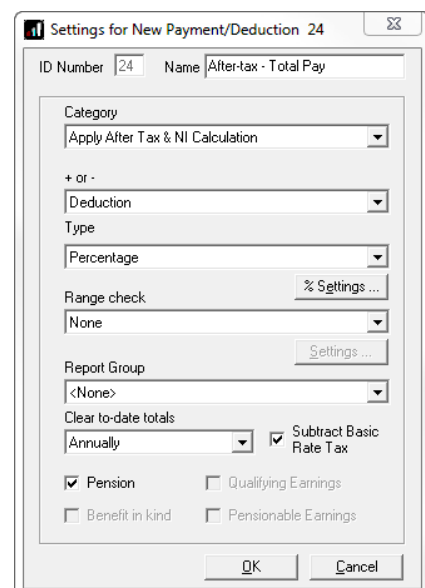
In payroll, if say the employee's pension deduction is 1%, you would enter 1% in the employee's pension contribution value but the actual deduction will be 0.8% from their pay.

Certified Earnings is calculated as a percentage of the tiered earnings you specified when setting up the Friends Life scheme by choosing one of the following options:

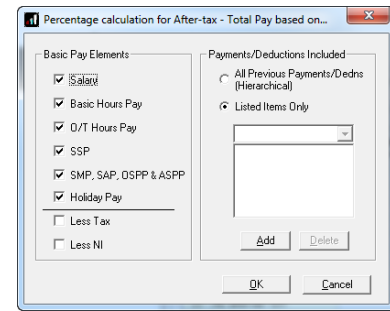
- **Tier 1** – must be at least equal to the employee's basic pay, for example the employee's salary. This doesn't take into account any additional pay elements, such as overtime, bonuses, commission or shift premium pay.
- **Tier 2** – must be at least 85% of the employee's Total Earnings. This includes any additional pay elements, such as overtime or bonuses.
- **Tier 3** – all of the employee's earnings are pensionable. This includes any additional pay elements, such as overtime or bonuses

### Add employee pension deduction:

1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Click on '**Add New**'
3. Click '**No**' to the message asking if you want to use the wizard
4. Enter the **Name** of the pension deduction
5. In the **Category** field select '**Apply After Tax & NI Calculation**'
6. In the **+ or -** field, select '**Deduction**'
7. In the **Type** field, select '**Percentage**'
8. In the **Range check** field, leave the default as '**None**'
9. In the **Report Group** field, leave the default as '<None>'
10. When **Clear Totals** field is set to '**Annually**', during **Year-end Restart** the year to-date total for this pension deduction will be clear along with other year to-date totals
11. Tick the '**Pension**' box
12. Tick the '**Subtract Basic Rate Tax**' box



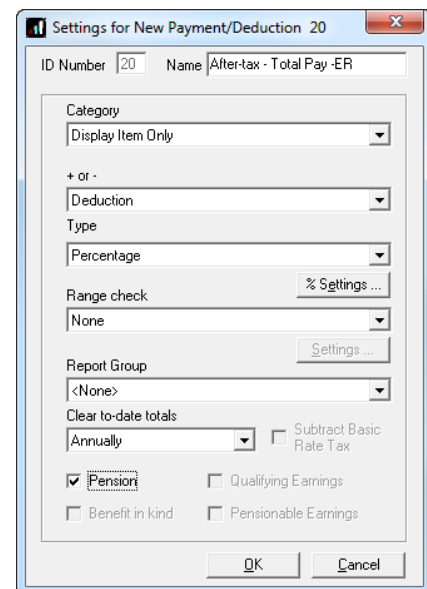
13. Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
14. Click **'OK'** on the **Percentage calculation** screen
15. Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employee pension deduction



#### Add employer pension deduction:

1. Go to the **Company** menu and select **'Alter Payments / Deductions'**
2. Click on **'Add New'**
3. Click **'No'** to the message asking if you want to use the wizard

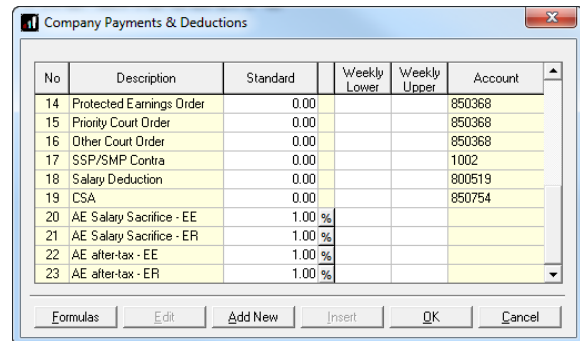
4. Enter the **Name** of the pension deduction
5. In the **Category** field select **'Display Item Only'**  
This option is chosen so the employee's pay isn't affected. If you don't want to show the employer's deduction on the employee's payslip, select **'Display Item Only - Hidden from Payslip'**



6. In the **+ or -** field, select **'Deduction'**
7. In the **Type** field, select **'Percentage'**
8. In the **Range check** field, leave the default as **'None'**
9. In the **Report Group** field, leave the default as **'<None>'**
10. When **Clear Totals** field is set to **'Annually'**, during **Year-end Restart** the year to-date total for this pension deduction will be cleared along with other year to-date totals
11. Tick the **'Pension'** box
12. Click the **'% Settings'** and then tick all the pay elements you want the pension deduction to be calculated on
13. Click **'OK'** on the **Percentage calculation** screen
14. Click **'OK'** on the **Settings for New Payment/Deduction** screen to save the new employer pension deduction

Enter percentage for the employee and employer pension deduction:

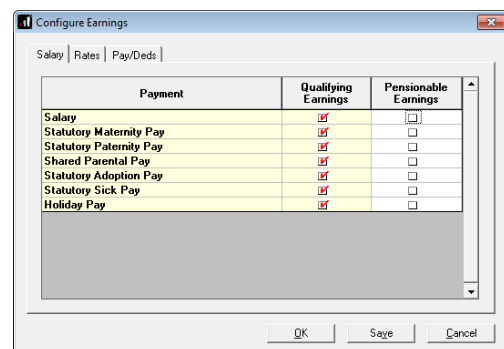
1. Go to the **Company** menu and select '**Alter Payments / Deductions**'
2. Next to the employee pension deduction, click in the '**Standard**' field and enter the default percentage
3. Next to the employer pension deduction, click in the '**Standard**' field and enter the default percentage



| No | Description              | Standard | Weekly Lower | Weekly Upper | Account |
|----|--------------------------|----------|--------------|--------------|---------|
| 14 | Protected Earnings Order | 0.00     |              |              | 850368  |
| 15 | Priority Court Order     | 0.00     |              |              | 850368  |
| 16 | Other Court Order        | 0.00     |              |              | 850368  |
| 17 | SSP/SMP Contra           | 0.00     |              |              | 1002    |
| 18 | Salary Deduction         | 0.00     |              |              | 800519  |
| 19 | CSA                      | 0.00     |              |              | 850754  |
| 20 | AE Salary Sacrifice - EE | 1.00 %   |              |              |         |
| 21 | AE Salary Sacrifice - ER | 1.00 %   |              |              |         |
| 22 | AE after-tax - EE        | 1.00 %   |              |              |         |
| 23 | AE after-tax - ER        | 1.00 %   |              |              |         |

Configure Qualifying Earnings:

1. Go to the **Pension** menu and select '**Configure Earnings**'
2. Tick '**Qualifying Earnings**' box for all pay elements to include in employees' total earnings when payroll assesses employees for automatic enrolment
3. Click '**OK**'



| Payment                 | Qualifying Earnings                 | Pensionable Earnings     |
|-------------------------|-------------------------------------|--------------------------|
| Salary                  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Statutory Maternity Pay | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Statutory Paternity Pay | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Shared Parental Pay     | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Statutory Adoption Pay  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Statutory Sick Pay      | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Holiday Pay             | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

## Additional Software and Services Available

### IRIS AE Suite™

The IRIS AE Suite™ works seamlessly with all IRIS payrolls to easily manage auto enrolment. It will assess employees as part of your payroll run, deduct the necessary calculations, produce files in the right format for your pension provider\* and generate the necessary employee communications.

### IRIS OpenPayslips

Instantly publish electronic payslips to a secure portal which employees can access from their mobile phone, tablet or PC. IRIS OpenPayslips cuts payslip distribution time to zero and is included as standard with the IRIS AE Suite™.

### IRIS Auto Enrolment Training Seminars

Choose from a range of IRIS training seminars to ensure you understand both auto enrolment legislation and how to implement it within your IRIS software.

## Useful numbers

| HMRC online service helpdesk  | HMRC employer helpline            |
|---|-----------------------------------|
| Tel: 0300 200 3600  | Tel: 0300 200 3200                |
| Fax: 0844 366 7828  | Tel: 0300 200 3211 (new business) |
| Email: <a href="mailto:helpdesk@ir-efile.gov.uk">helpdesk@ir-efile.gov.uk</a> |                                   |

## Contact Sales (including stationery sales)

| For IRIS Payrolls   | For Earnie Payrolls   |
|---|---|
| Tel: 0844 815 5700  | Tel: 0844 815 5677  |
| Email: <a href="mailto:sales@iris.co.uk">sales@iris.co.uk</a> | Email: <a href="mailto:earniesales@iris.co.uk">earniesales@iris.co.uk</a> |

## Contact support

| Your Product              | Phone         | E-mail   |
|---------------------------|---------------|--|
| IRIS PAYE-Master          | 0844 815 5661 | <a href="mailto:payroll@iris.co.uk">payroll@iris.co.uk</a>           |
| IRIS Payroll Business     | 0844 815 5661 | <a href="mailto:ipsupport@iris.co.uk">ipsupport@iris.co.uk</a>       |
| IRIS Bureau Payroll       | 0844 815 5661 | <a href="mailto:ipsupport@iris.co.uk">ipsupport@iris.co.uk</a>       |
| IRIS Payroll Professional | 0844 815 5671 | <a href="mailto:payrollpro@iris.co.uk">payrollpro@iris.co.uk</a>     |
| IRIS GP Payroll           | 0844 815 5681 | <a href="mailto:support@gppayroll.co.uk">support@gppayroll.co.uk</a> |
| IRIS GP Accounts          | 0844 815 5681 | <a href="mailto:gpaccsupport@iris.co.uk">gpaccsupport@iris.co.uk</a> |
| Earnie or Earnie IQ       | 0844 815 5671 | <a href="mailto:support@earnie.co.uk">support@earnie.co.uk</a>       |